

1. Match the key terms and concepts in the table with their correct definitions and explanations.

Key terms	Definition
Public expenditure	
Transfer payments	
Aggregate demand	
Aggregate supply	
Policy instrument	
Fiscal policy	
Monetary policy	
Supply-side policy	
Crowding out	
Privatization	
Deregulation	

**A** The total output of goods and services in an economy in any given period

**B** Quantities or tools that can be directly controlled by a government to alter or influence total demand or output in an economy

**C** The transfer of public sector activities and industries to the private sector

**D** The total demand for goods and services in an economy, measured by the sum of total consumer spending, investment, public sector spending and spending on exports by overseas residents

**E** Total public sector spending on current and capital items

**F** The displacement of private sector spending by increased public sector spending financed by increasing taxes or public borrowing. Increasing public borrowing will raise interest rates and increase the cost of borrowing for the private sector

**G** Income redistributed by government from people who are economically active to those who are not, usually through a social welfare programme including unemployment benefits, disability allowances and old age pensions

**H** Varying the money supply and/or interest rates in an economy to influence the level and growth of aggregate demand and economic activity

**I** Any policy designed to improve the quantity and quality of outputs in an economy by removing barriers to growth and increased productivity

**J** Using public spending and taxation to influence the level and growth of aggregate demand, output and employment in an economy

**K** The removal or simplification of government rules and legislation that constrain the operation of market forces

2. List the four main objectives most governments have for their macroeconomies.

- i) .....
- ii) .....
- iii) .....
- iv) .....

3. Suggest three reasons why a government may increase public expenditure in an economy other than to boost the level and growth of aggregate demand, employment and growth.

i) .....

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ii) .....

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iii) .....

4. What government economic policies are the following headlines and statements describing?

Government of Singapore plans to increase its spending, but will keep taxes low

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China has raised interest rates for the third time since mid-October ahead of a forecast that will show inflation has accelerated to its fastest pace in 30 months

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The Government has announced plans to scrap or simplify 160 out of 257 regulations 'stifling the retail sector'. These include removing an obligation on retailers to notify TV Licensing of any sales or rentals of television sets and reducing the legal age for buying Christmas crackers to 12.

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Vietnam is expected to cut public investment by 50 trillion dong (\$2.4 billion) or 7.4% this year, the central bank said Thursday, in its latest attempt to contain surging inflation and produce greater economic stability

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